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NEW ORLEANS BIOINNOVATION CENTER, INC.

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-9-05

CASCIO, DAVIS & SCHMIDT, LLP
Certified Public Accountants

NEW ORLEANS BIOINNOVATION CENTER, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
New Orleans BioInnovation Center, Inc.

We have audited the accompanying statement of financial position of New Orleans BioInnovation Center, Inc. (a non-profit corporation) as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Center's 2003 financial statements and, in our report dated November 17, 2003, we expressed an unqualified opinion on those financial statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans BioInnovation Center, Inc. as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2004, on our consideration of New Orleans BioInnovation Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of New Orleans BioInnovation Center, Inc. taken as a whole. The accompanying supplemental statement of revenue and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cascio, Davis & Schmidt, LLP

Metairie, Louisiana
December 23, 2004

NEW ORLEANS BIOINNOVATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2004

	ASSETS	MEMORANDUM ONLY
		<u>June 30, 2003</u>
CURRENT ASSETS		
Cash	\$ 201,821	\$ -
Receivables (Notes A4 and C)	<u>176,021</u>	<u>58,619</u>
Total current assets	377,842	58,619
PROPERTY AND EQUIPMENT - At cost		
Construction in progress (Note D)		
Wet Lab Incubator	<u>584,311</u>	<u>206,425</u>
Total assets	<u>\$ 962,153</u>	<u>\$ 265,044</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 344,213	\$ 58,619
Deferred revenue (Note E)	<u>19,274</u>	<u>-</u>
Total current liabilities	363,487	58,619
NET ASSETS (Notes A2 and A3)		
Temporarily restricted	<u>598,666</u>	<u>206,425</u>
Total net assets	<u>598,666</u>	<u>206,425</u>
Total liabilities and net assets	<u>\$ 962,153</u>	<u>\$ 265,044</u>

The accompanying notes are an integral part of this statement.

NEW ORLEANS BIOINNOVATION CENTER, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	TOTAL MEMORANDUM ONLY	
			<u>2004</u>	<u>2003</u>
REVENUE				
Grants	\$ -	\$ 96,742	\$ 96,742	\$ -
Contract revenue	-	377,886	377,886	206,425
Net assets released from restrictions	<u>82,387</u>	<u>(82,387)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>82,387</u>	<u>392,241</u>	<u>474,628</u>	<u>206,425</u>
EXPENSES				
Accounting	3,900	-	3,900	-
Consulting	70,336	-	70,336	-
Insurance	2,698	-	2,698	-
Legal	5,292	-	5,292	-
Miscellaneous	<u>161</u>	<u>-</u>	<u>161</u>	<u>-</u>
Total Expenses	<u>82,387</u>	<u>-</u>	<u>82,387</u>	<u>-</u>
INCREASE IN NET ASSETS	-	392,241	392,241	206,425
Net assets, beginning of year	<u>-</u>	<u>206,425</u>	<u>206,425</u>	<u>-</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 598,666</u>	<u>\$ 598,666</u>	<u>\$ 206,425</u>

The accompanying notes are an integral part of this statement.

NEW ORLEANS BIOINNOVATION CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

MEMORANDUM ONLY
June 30, 2003

Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Increase in net assets	\$ 392,241	\$ 206,425
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Increase in grants and contracts receivable	(117,402)	(58,619)
Increase in accounts payable	285,594	58,619
Increase in deferred revenue	<u>19,274</u>	<u>-</u>
Net cash provided by operating activities	<u>579,707</u>	<u>206,425</u>
Cash flows from investing activities:		
Construction costs capitalized	<u>(377,886)</u>	<u>(206,425)</u>
Net cash used in investing activities	<u>(377,886)</u>	<u>(206,425)</u>
Net increase in cash and cash equivalents	201,821	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 201,821</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

NEW ORLEANS BIOINNOVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Activities

The primary purpose of New Orleans BioInnovation Center, Inc. (the "Corporation") is to renovate, construct, develop and manage the property located at 1441 Canal Street, New Orleans, Louisiana, known as the "Wirth Building", into a biotechnology research and development facility in furtherance of the development and support of a biomedical research and development park within the City of New Orleans. The Corporation may also develop and manage other properties within the biomedical research and development park. The Corporation's activities are intended to foster economic development through the creation of new jobs, diversification of the local economy and revitalization of an economically depressed area of the City of New Orleans.

The Corporation is a private, non-profit entity that shall not be deemed to be a public or quasipublic corporation or an administrative unit, public servant, employee or agent of any institution of higher education for any purpose whatsoever, because the Corporation is organized and shall be operated for the principal purpose of supporting one or more programs, facilities or research or educational opportunities offered by Louisiana State University Health Sciences Center in New Orleans, and for the purpose of supporting one or more programs, facilities or research and educational opportunities of Tulane University Health Sciences Center.

The New Orleans BioInnovation Center, Inc. is organized and constituted as a nonprofit corporation exempt from income taxation under and in accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code and the Nonprofit Corporation Law of the State of Louisiana, La.Rev.Stat. 12:201-269.

2. Financial Statement Presentation

The Corporation's financial statements are presented in accordance with the requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations." Accordingly, the net assets of the Corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets during the year ended June 30, 2004.

3. Revenue Recognition

For financial reporting, the Corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions."

Grant and contract revenue are recognized as they are earned in accordance with approved contracts.

NEW ORLEANS BIOINNOVATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES

4. Receivables

The Corporation considers accounts receivable to be fully collectible since the balance consists of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

NOTE B - CASH AND CASH EQUIVALENTS

The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE C - RECEIVABLES

Receivables at June 30, 2004, consists of the following:

Louisiana Gene Therapy Research Consortium, Inc.	\$ 94,974
Louisiana Department of Economic Development	77,666
Other	<u>3,381</u>
	<u>\$ 176,021</u>

NOTE D - CONSTRUCTION IN PROGRESS

During the years ended June 30, 2004 and 2003, three projects were in progress.

The Wet Lab Incubator, funded by Louisiana Department of Economic Development.

	<u>2004</u>	<u>2003</u>
Expenditure categories:		
Consulting	\$ 30,794	\$ -
Design costs	282,526	163,272
Legal costs	10,659	35,474
Project management costs	<u>53,907</u>	<u>7,679</u>
	<u>\$ 377,886</u>	<u>\$ 206,425</u>

The GMP Facility and Infrastructure are based on contract agreements, and were managed "on behalf" of Louisiana Gene Therapy Research Consortium, Inc. Accordingly, the costs are recorded on the financial statements of Louisiana Gene Therapy Research Consortium, Inc. and not on the financial statements of New Orleans BioInnovation Center, Inc.

	<u>2004</u>	<u>2003</u>
GMP Facility		
Design costs	\$ <u>320,086</u>	\$ <u>290,555</u>
Infrastructure		
Consulting	15,639	-
Demolition costs	107,434	330,463
Design costs	<u>609,372</u>	<u>181,380</u>
	<u>732,445</u>	<u>511,843</u>
	<u>\$ 1,052,531</u>	<u>\$ 802,398</u>

NEW ORLEANS BIOINNOVATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2004

NOTE E - DEFERRED REVENUE

The deferred revenue results from funds received to pay for certain insurance coverage which was not obtained as of June 30, 2004.

NOTE F - LEASE AGREEMENT

Louisiana State University (LSU) owns the land and building (the Wirth Building) located at 1441 Canal Street, New Orleans. New Orleans BioInnovation Center, Inc.(NOBIC) entered into a lease agreement with LSU December 13, 2002 for a primary term of 20 years and options to renew the lease for two 10 year periods. Rental payments are \$10 per year for the primary and the option periods.

NOTE G - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any board member during the year ended June 30, 2004.

SUPPLEMENTAL INFORMATION

NEW ORLEANS BIOINNOVATION CENTER, INC.

COMBINED STATEMENT OF REVENUE AND EXPENSES

Year ended June 30, 2004

	Operating Grant	Wet Lab Incubator	Property and Equipment	GMP Facility	Infrastructure	Eliminations	Total
REVENUE							
Louisiana Department of Economic Development	\$ 96,742	\$ 377,886	\$ -	\$ -	\$ -	\$ -	\$ 474,628
Louisiana Gene Therapy Research Consortium, Inc.	-	-	-	320,086	732,445	(1,052,531)	-
Total Revenue	<u>96,742</u>	<u>377,886</u>	<u>-</u>	<u>320,086</u>	<u>732,445</u>	<u>(1,052,531)</u>	<u>474,628</u>
EXPENSES							
Construction costs	-	-	-	320,086	732,445	(1,052,531)	-
Accounting	3,900	-	-	-	-	-	3,900
Consulting	70,336	-	-	-	-	-	70,336
Insurance	2,698	-	-	-	-	-	2,698
Legal	5,292	-	-	-	-	-	5,292
Miscellaneous	161	-	-	-	-	-	161
	<u>82,387</u>	<u>-</u>	<u>-</u>	<u>320,086</u>	<u>732,445</u>	<u>(1,052,531)</u>	<u>82,387</u>
Total expenses	<u>82,387</u>	<u>-</u>	<u>-</u>	<u>320,086</u>	<u>732,445</u>	<u>(1,052,531)</u>	<u>82,387</u>
Increase in net assets	14,355	377,886	-	-	-	-	392,241
Property and equipment capitalized	-	(377,886)	377,886	-	-	-	-
Net assets, beginning of year	-	-	206,425	-	-	-	206,425
Net assets, end of year	<u>\$ 14,355</u>	<u>\$ -</u>	<u>\$ 584,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 598,666</u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
New Orleans BioInnovation Center, Inc.

We have audited the financial statements of New Orleans BioInnovation Center, Inc. (a non-profit corporation) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether New Orleans BioInnovation Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Orleans BioInnovation Center, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect New Orleans BioInnovation Center, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information of the audit committee, management, Louisiana Legislative Auditor and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Cascio, Davis & Schmidt, LLP

Metairie, Louisiana
December 23, 2004

NEW ORLEANS BIOINNOVATION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2004

FINDINGS-FINANCIAL AUDITS

Reportable Condition

2004-1 Filing Financial Statements

The annual financial statements for the year ended June 30, 2004 were not filed with the Louisiana Legislative Auditor within the required six months.

We recommend that the annual financial statements be filed timely in the future.

2004-2 Segregation of Duties

Due to the size of the administrative staff, the corporation is too small to effect a meaningful segregation of duties. The Executive Director prepare the vendors checks for payment and one of the members of the Financial Operations Committee and one of the Board of Directors review and approve the payments. The cash receipts and disbursements journals, and the general ledger is also maintained by the Executive Director.

We recommend that the Executive Director and the Board of Directors continue their significant involvement in the financial affairs of the corporation and also through review of monthly financial reports.

STATUS OF PRIOR YEAR AUDIT FINDINGS

The status of the prior year audit findings is as follows:

	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Finding No.</u>
Segregated of Duties		X	2004-1

QUESTIONED COSTS

There were no questioned costs.

MANAGEMENT LETTER

A management letter was not issued for the years ended June 30, 2004 or June 30, 2003.

Bio

NEW ORLEANS

CENTER

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MANAGEMENT RESPONSE TO AUDIT FINDING

June 30, 2004

1. Filing Financial Statements

There was a management change after the year ended June 30, 2004, and an executive director was not appointed until November. We will have financial Statements shortly after the June 30, 2005 year end and file them timely with the Legislative Auditor.

2. Segregation of Duties

At this time, New Orleans BioInnovation Center, Inc. is too small to change its structure of duties. The Executive Director and the Board of Directors will continue its involvement in the financial affairs of the organization.